

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 1408 - SB 1828

March 30, 2009

SUMMARY OF BILL: Authorizes workers' compensation penalties to be abated and voided if an employer secures workers' compensation within five days of receipt of written request of the department. Imposes additional penalties for non-compliance including a Class E felony for any business that continues operations in violation of a stop-work order.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue - \$1,133,600

Increase State Expenditures - \$28,000/One-Time

\$340,400/Recurring

\$11,700/Incarceration*

Assumptions:

- FY07-08 penalty collections from employers not maintaining workers' compensation coverage totaled approximately \$1,417,000.
- The Department of Labor and Workforce Development (LWFD) estimates an 80 percent reduction in penalty collections. As a result, there will be a decrease in state revenue of \$1,133,600 ($\$1,417,000 \times 80\% = \$1,133,600$).
- LWFD will need five insurance fraud investigators to comply with the provisions of the bill. Recurring expenditures for these positions include \$188,292 (salary), \$64,019 (benefits), \$118,050 (office space, travel, supplies, telephones, postage, training, network costs, and computer expenditures). The total recurring increase in state expenditures is estimated to be approximately \$370,400 ($\$188,292 + \$64,019 + \$118,050 = \$370,361$).
- One-time costs for these positions include \$18,000 for office landscaping and \$10,000 for computers and software. The total one-time increase in state expenditures is \$28,000 ($\$18,000 + \$10,000$).
- According to the Department of Correction (DOC), the average operating cost per offender per day for calendar year 2009 is \$59.80.

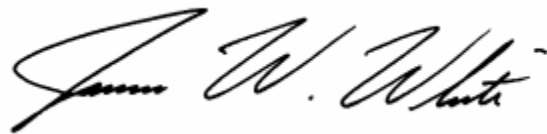
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- According to the U.S. Census Bureau, population growth in Tennessee has been 1.12 percent per year for the past 10 years, yielding a projected compound population growth of 11.78 percent over the next 10 years. No significant incarceration cost increase will occur due to population growth over this period.
- According to DOC, the average post-conviction time served for Class E felony is 1.63 years. DOC estimates one Class E felony every three years with 1.63 years time served (594.45 days). The annualized time served per conviction is 196.17 (0.33 annual number of convictions x 594.45 days). The annualized cost per conviction is \$11,730.96 (\$59.80 x 196.17 days).
- No recidivism discount has been applied since the length of the additional sentence is not sufficient for any re-offenders to serve additional time in the prison system under current law within the time added by this bill.

**Tennessee Code Annotated, Section 9-4-210, requires that: For any law enacted after July 1, 1986, which results in a net increase in periods of imprisonment in state facilities, there shall be appropriated from recurring revenues the estimated operating cost of such law. The amount appropriated from recurring revenues shall be based upon the highest cost of the next 10 years.*

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

/cce